



State of Iowa

# Flexible Spending Accounts

**Tired of paying taxes?** Eligible employees who participate in the Flexible Spending Account (FSA) program don't pay taxes on wages that are used to pay eligible health & dependent care expenses.

## What's this?

<b>Eligible employee</b>	A permanent state employee who is normally scheduled for 20 or more hours of work per week
<b>FSA</b>	A tax-free account funded through payroll deduction and used to pay eligible health and dependent care expenses
<b>ASI</b>	The administrator of the state's flexible spending account program
<b>Incurred expense</b>	Expenses for services you have received or products you have ordered (not necessarily billed or paid for)
<b>Health care expense</b>	Medical expense for yourself, your spouse, or your dependents (through the year in which they turn age 26), that is not paid by insurance
<b>Dependent care expense</b>	Expense for the care of a child under 13 and/or an adult incapable of self-care, that enables you to work. If you are married, your spouse must also work/be a full-time student and the dependent must be claimed on your tax return. If you are divorced, you must be the custodial parent, but are not required to claim the exemption.

## How the program works

You decide how much to set aside for health and/or dependent care expenses ("annual election" may not exceed \$2,550 for medical expenses or \$5,000\* for dependent care expenses). This amount is divided by the number of payroll checks you expect to receive the next calendar year (maximum of 24). Through payroll deduction, this amount is taken from your paychecks (before taxes) and deposited to your FSA account(s). You file a claim for reimbursement of an incurred expense. ASI processes the "in good order" claim by the next business day and sends you a reimbursement by direct deposit or check. Dependent Care expenses incurred through March 15 may be applied toward the previous year's annual election, if any funds remain.

\*Per family for single and married employees (\$2,550 if married and filing separate tax returns) for dependent care.

## Example

Assumes a family with income of \$45,000 and at least \$2,000 in eligible expenses next year:



	Without FSA	With FSA
Annual compensation	\$ 45,000	\$ 45,000
<b>Tax-free expenses</b>	<b>0</b>	<b>-2,000</b>
Taxable income	\$ 45,000	\$ 43,000
FICA @ 7.65%	-3,442	-3,290
Federal Income Tax <sup>1</sup>	-3,563	-3,238
State Income Tax <sup>1</sup>	-1,848	-1,723
Net pay check	\$ 36,147	\$ 34,749
After-tax expenses	-2,000	0
Actual take-home pay	\$ 34,147	\$ 34,749
<b>Net cash savings</b>	<b>0</b>	<b>\$ 602</b>

<sup>1</sup> Assumes filing married with 2 dependents

Savings will vary for each participant. Calculate your own potential savings using your marginal tax bracket. A Tax Savings Calculator is provided for you at [www.asiflex.com](http://www.asiflex.com).

## Estimate your annual health care expenses

**Carryover option:** Unused Health FSA contributions up to \$500 may be carried over to the following plan year. Unused funds over \$500 are forfeited to the plan. Carryover funds cannot be carried over again. FSA reimbursements cannot be used on your tax return.

Examples of eligible healthcare expenses are:

- Medical: Chiropractic care, prescribed medications, co-pays, deductibles, hearing aids
- Dental: Exams, cleanings, fillings, crowns, braces
- Vision: Eye exams, contact lenses, glasses, LASIK surgery

Utilize the Healthcare expense worksheet, at <https://das.iowa.gov/human-resources/employee-and-retiree-benefits/employees/additional-benefits/flexible-spending-4>.

Orthodontics and Dental	_____
Glasses, contacts, solutions	_____
Deductibles	_____
Co-pays	_____
Prescription medicines	_____
Mileage	_____
<b>Total health care expenses</b>	<div></div>

## Estimate your annual dependent care expenses

**Grace period option:** You have until March 15<sup>th</sup> of the next plan year to incur expenses for reimbursement of your current year contributions. **Only include expenses that you are sure you will incur.** Unused Dependent Care contributions cannot be returned to you.

A care provider cannot be your spouse, a relative that lives in your home, or your dependent that is under age 19. Expenses incurred during vacations or sick days are not eligible. Examples of eligible dependent care expenses are:

- Day care centers (compliant with state/local laws)
- Babysitters
- Pre-school (before kindergarten)
- General purpose day camps

Day care center	_____
Babysitters	_____
Day camp	_____
Pre-school	_____
Before/after school care	_____
<b>Total dependent care expenses</b>	<div></div>

Ineligible expenses include food, transportation, or activity fees, education expenses (kindergarten or higher), overnight camps (including day time portion), private school tuition (kindergarten or higher). For a Dependent Care expense worksheet, go to <https://das.iowa.gov/human-resources/employee-and-retiree-benefits/employees/additional-benefits/flexible-spending-4>.

## Q & A

**When and how do I enroll?** You may enroll within 30 days of hire, when you have a qualifying life event, or during the fall enrollment and change period. To continue participation each plan year, you must re-enroll. To enroll, go to <https://bfi.secure-enroll.com/go/stateofiowa>. All enrollments must be processed through IowaBenefits. If you do not have access to IowaBenefits, contact your personnel assistant for instructions.

**Can I change my election midyear?** Generally no, unless you have a qualifying life event. Please refer to the Summary Plan Description for more details or contact your personnel assistant.

**Which is better – FSA or Child Care Credit?** Generally, the FSA helps families with an adjusted gross income of \$31,000+ or who spend \$3,000+ on care for only one child. However, you should consult a tax advisor if you have questions. Amounts reimbursed through FSA cannot be used towards the credit.

Please read the FSA Summary Plan Description available at <https://das.iowa.gov/human-resources/employee-and-retiree-benefits/employees/additional-benefits/flexible-spending-4>.

If you have questions concerning program rules, eligible expenses, or claims, contact ASI.

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